Doyle

(Continued from page 15)

ment and a strong bottling network (almost one-fourth owned by the parent, versus only about 10% in Coke's case) have already proven themselves. Although Pepsi's past five-year trend of unit growth 2.8 percentage points above that for the industry may diminish, Doyle expects about 6% annual growth, or one to two points above his industry expectation of 4%–5%. This would include some advances in the fountain market, which is about 23% of industry volume, and where Coke still has over a 55%–60% market share. In the packaged market (which is 77% of volume, one-third of this being away-from-home consumption and two thirds at home), Coke and Pepsi are approximately of equal size, Doyle says, especially in the at-home market.

Prices, Doyle says, are deflating at all levels for the beer and soft drink industries. Both the winners in the market share battle (Anheuser and Miller) and the losers will seek better pricing to expand margins and improve profitability, he says.

For example, Miller only earned $114 million in pretax and preinterest income in 1981 on $2.9 billion in sales and $2.0 billion identifiable assets. Beer pricing will exceed cost increases. This will probably result in retail beer prices rising approximately in line with the Personal Consumption Deflator or PCD. Beer prices actually are rising less than overall inflation. But, costs are very weak, Doyle says.

Soft drink prices since 1966 have usually increased more than the PCD, except for a 3% decline in 1976 and a lower-than-inflation rise in 1977.

A severe recession and a 50% price increase in 1975 didn't faze the American soft drink user, according to Doyle. In the past few years, this ability of the soft drink industry to seemingly price at will has not helped profit margins. Rather, it has fueled war chests for the big avertising budget jumps of 1978–1980 and the big increases in price promotional activities in 1980–1981.

Doyle thinks the level of price promotion has become excessive. It may not abate this year (since cost trends are so weak and recessionary consumer patterns prevail), but he expects that 1983 and later years could see less promotion and more attention to profitability.

Packaging is the largest cost category for both the beer and soft drink industries. Bottle and can costs are about 40% of the wholesale value, whereas sugar in soft drinks and agricultural raw materials in beer are about 12%–15% of total wholesale price.

The sharp inflation of the mid-1970s in packaging costs and the run-up in 1978 seem to be things of the past. Aluminum can costs are weak mostly because of manufacturing overcapacity, not because of any significant market weakness for beverages, according to Doyle.

About 60% of packaged beer is in cans, with 32% in nonreturnable bottles and 8% in returnable bottles. About 80% of all beer cans are aluminum, as steel continues to lose share.

New products in the sd and brewing industries

Product (Year of introduction or 1970 share if then available)	1981E Market Share
Beer	
Miller's Lite (1974)	8½%–9%
Natural Light (1975)	1%–1½%
Michelob Light (1978)	1½%
Lowenbrau, U.S. brewed (1978)	½%–1%
Coors Light (1978)	1%
Erlanger (1979)	0%–½%
Schlitz Light (1976)	0%–½%
Pabst Extra Light (1977)	0%–½%
Soft drinks	
New products:	
Sunkist (1979)	1½%
Mr. Pibb (1972)	½%–1%
Mello Yellow (1973)	½%–1%
Pepsi Light (1975)	½%
Barrelhead Root Beer (1977)	0%–½%
Rejuvenated brands:	2½%–3%
Mountain Dew (½%–1%)	2½%–3%
Tab (1½%–2%)	
Diet Pepsi (1%–1½%)	2½%–3%
Sugar-Free Dr Pepper (0%–½%)	1%–1½%
Diet 7-Up (0%–½%)	1%–1½%

E - Estimated by SBHU

Source: SBHU

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In soft drinks, where about 77% of total industry volume is packaged, cans are about 33% of the packaged market, with about 70% of this being in aluminum. A sizable 50% of soft drink packaged gallonage is still in glass, a high 33% in returnables and 17% in nonreturnables. Plastic bottles have done very well, Doyle says, and should continue to gain some further share, but at a much slower pace; plastic containers have a 17% share of the packaged soft drink market compared with zero only several years ago.

Top six brewers' share of market

Market Share	1980	1981	1982E	1985E
Anheuser-Busch	28.2%	29.8%	31.6%	34.0%
Miller	21.0	22.0	23.1	24.6
Heileman	7.5	7.7	8.0	8.8
Schlitz	8.4	7.8	7.5	7.1
Pabst	8.5	7.4	6.9	5.7
Coors	7.8	7.3	7.4	7.1
Top Six	81.3%	82.0%	84.4%	87.3%
All Others	18.7	18.0	15.6	12.7
A-B and Miller	49.2	51.9	54.7	58.6
Point Change in Annual Market Share (a)				
Anheuser-Busch	—	+1.6	+1.8	+0.8
Miller	—	+1.0	+1.1	+0.5
Heileman	—	+0.2	+0.3	+0.3
Schlitz	—	−0.6	−0.3	−0.1
Pabst	—	−1.1	−0.5	−0.4
Coors	—	−0.5	+0.1	−0.1
Top Six	—	+0.7	+2.4	+2.9
All Others	—	−0.7	−2.4	−2.9
A-B and Miller	—	+2.7	+2.8	+3.9

E-Estimated by SBHU.

(a) 1982-1985 periods show market share point changes per annum.

Source: SBHU.

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